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To: Board of Directors
From: Leanne P. Redden, Executive Director
Date: February 11, 2021
Re: Step 2 Recovery Strategy: Sustaining Critical Transit in 2021

At its meeting on February 18, 2021, RTA staff will present the RTA Board with an update on RTA's recovery efforts, the status of current year funding, and proposed recommendations regarding relief fund distribution. Following the February 18 Board meeting, the recommendations and accompanying analysis will be released for a public comment period through Friday, March 5, 2021.

Background and Previous Action

During its meeting on October 15, 2020, the RTA Board reviewed [a memo](#) outlining RTA's regional COVID-19 recovery strategy. Since that time:

- The RTA Board on December 17 completed **Step 1**: Adopt a 2021 budget that reflects the realities of this current crisis. The budget was adopted with more than a \$500 million operating shortfall for 2021.
- A partial funding solution to the immediate 2021 budget deficit materialized in late December of 2020 when Congress passed a second round of emergency COVID relief funding for transit nationwide. The \$900 billion COVID relief package referred to as the Coronavirus Response and Relief Supplemental Appropriations Act of 2021 (CRRSAA), became law on December 27, 2020, and directs approximately \$14 billion to transit agencies nationwide including approximately \$486.2 million to the greater Chicago urbanized area. This funding now needs to be allocated among the three Service Boards.
- We are currently in **Step 2**: Execute the 2021 budget and make decisions as needed to sustain transit during a time of uncertainty (January - June 2021). During the January Board meeting, RTA staff provided an overview of Step 2 of the RTA's COVID-19 recovery strategy and presented the transit Critical Needs Areas (CNAs) for discussion.
- And we are planning for **Step 3**: Engage in strategic recovery planning and consider how to reinvent transit in the region, to begin approximately May 2021 with an outlook to 2023 and beyond.

This memo outlines the next steps within Step 2 of the recovery strategy that will be discussed at the February Board meeting.

Sustaining Critical Transit in 2021

Because the adopted 2021 budget contains a \$500 million gap, the RTA's immediate priority has been to seek funding solutions to fill the budget gap and then determine a transparent and accountable process for allocation of any funding received. To fulfill its policy objective of sustaining critical transit service and to guide distribution of relief money, RTA staff developed the transit CNAs discussed in the report included in the materials for this meeting and available for public comment following the February Board meeting. As is stated in the report, the method that RTA has created to define transit CNAs and relate them to existing service is for the purposes of informing the RTA's funding decisions in 2021. Likewise, the application of the work to a recommended allocation of the region's CRRSAA federal relief money is unique to the moment and does not set a precedent for future allocations of any funding.

At the February meeting, staff will present a combined transit CNA definition that is based on the propensity, equity, and high mobility industry analysis presented during the January meeting. Staff will explain the combined measure and analytical results that form the basis for the staff recommendation for distributing the federal CRRSAA funds.

2021 Funding Update

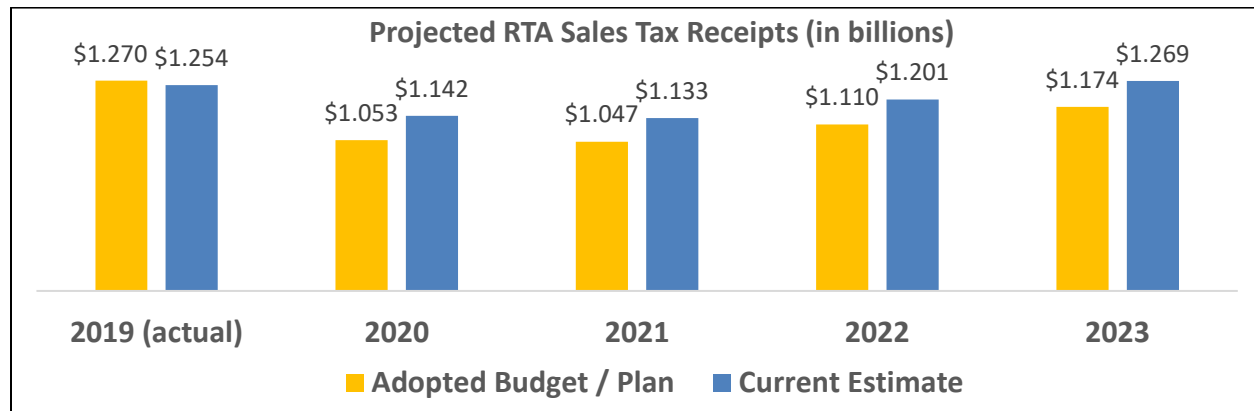
Staff will also present an update of the overall funding outlook for 2021. No Board action is required at February's meeting, but staff will provide the Board with a broader perspective of what overall funding will look like in advance of the March meeting where the Board will consider the recommended allocation and initiate a budget amendment for the 2021 operating budget. Revised, higher RTA funding amounts in addition to the CRRSAA funding amounts are currently planned to be included as a component of the first 2021 funding amendment to be considered for approval at the March Board meeting.

The following background is provided to give a more comprehensive view of the changing 2021 financial landscape as the Board considers allocation of the CRRSAA funding.

Sales Tax Results Continue to Exceed Expectations

The onset of COVID-19 led to several RTA Board funding and budget actions over the course of the 2020 budget year. Fortunately, the falloff in RTA sales tax receipts has not been as severe or sustained as was initially feared. Early projections used in the first funding amendment (May 2020) assumed year-over-year monthly declines as large as 50%, resulting in a full-year RTA sales tax projection of \$896 million, a 28% decline versus 2019. After several months of actual results, the 2020 sales tax forecast was revised upward to \$1.053 billion with the second funding

amendment (September 2020), representing a 16% decline versus 2019. Reflected in the current 2020 regional operating budget, adopted by the Board in December, this sales tax estimate was also used as the basis for forecasting the sales tax levels included in the adopted 2021 budget and 2022-2023 financial plan. In recent months, actual 2020 monthly sales tax results have continued to outperform even this most recent 2020 sales tax estimate, which in turn raises the expectations for 2021 through 2023, as shown in the following chart.



While November and December 2020 results are not yet known, sales tax is now expected to finish the year at around \$1.142 billion, down approximately 9% from 2019 levels, but a significant improvement of about \$90 million from the sales tax level assumed in the current 2020 budget. This increase will be recognized with a final 2020 funding amendment at the March RTA Board meeting.

Impact on 2021 Budget Shortfalls

Given all the unknowns about federal relief funding, sales tax, and ridership, the 2021 operating budget development process allowed the proposed Service Board budgets to include non-specific budget balancing actions that reflected projected funding and/or revenue shortfalls. The RTA Board subsequently adopted the 2021 regional operating budget in December in anticipation of a second federal relief funding program that would address budgeted shortfalls for CTA and Metra.

The expected 2020 RTA sales tax results discussed above have in turn improved the outlook for 2021 RTA funding levels, which include sales tax, Real Estate Transfer Tax (RETT), and the Public Transportation Fund (PTF) 30% match of sales tax and RETT provided by the State of Illinois. Relative to the funding levels included in the adopted 2021 Service Board and RTA budgets, the following improvements are currently expected by funding component:

2021 RTA Funding Increase (millions)	CTA	Metra	Pace	ADA	RTA	Total
Sales Tax ¹	\$36.2	\$28.7	\$11.0	-	\$9.5	\$85.4
PTF ²	\$21.1	\$3.9	\$1.6	-	-	\$26.6
RETT	\$2.9	-	-	-	-	\$2.9
RTA Funding Change	\$60.2	\$32.6	\$12.6	-	\$9.5	\$114.9

¹ Includes ICE funding and, for Pace, Suburban Community Mobility Funding.

² Includes PTF on RETT. Assumes State 5% PTF cut ends in July 2021. Otherwise, total PTF funding and the PTF increase will decline by approximately \$10 million.

The RTA 2021 funding increases shown in the table above will reduce the funding shortfalls contained in the adopted CTA and Metra operating budgets. These sales tax adjustments should be kept in mind as the RTA Board considers the allocation of CRRSAA funding. The RTA funding increases will be refined with the latest data available prior to inclusion in the first 2021 RTA funding amendment, also planned for the March Board meeting.

ADA Paratransit Funding Need Continues to Change

The COVID-19 pandemic has had an out-sized impact on ADA Paratransit service as actions had to be taken to protect Pace’s most vulnerable and transit-dependent customer base. Mitigation efforts including single-occupancy rides have temporarily but sharply decreased the efficiency and productivity of Pace’s ADA Paratransit operation. After falling to 25% of normal (2019) during the stay-at-home order last spring, ridership has recovered more quickly than anticipated, reaching about 60% of normal during the fourth quarter of 2020. This in turn has driven Purchased Transportation expense above budget, creating an additional 2020 ADA funding need of approximately \$14.4 million which is planned to be addressed with a final 2020 funding amendment in March.

The RTA Act requires complete funding of the ADA Paratransit operating deficit each budget year. Pace’s 2021 ADA Paratransit budget, developed during the summer of 2020, assumed ridership at approximately 60% of normal, a level which has already been reached and is now expected to be surpassed as the COVID-19 vaccination effort progresses. As a result, approximately \$20 million of funding is expected to be needed above and beyond the \$157 million of RTA funding allocated in the adopted 2021 budget. In the past, the ADA Paratransit funding requirement has traditionally been met using two primary sources: RTA sales tax and State ADA funding.

Funding Recommendation

The RTA staff's recommendations for the allocation of CRRSAA funding is reflected in the table below. Two possible CRRSAA levels of regional funding are displayed pending the outcome of discussions with the Northwest Indiana Regional Planning Commission (NIRPC) regarding the sub-

allocation of federal apportionments. The increased funding projected resulting from higher sales tax, PTF, and RETT levels as described above results in \$106 million in additional funding available to the Service Boards in 2021 and is reflected as "other funding change" in the table. Prior to allocating funding to the three Service Boards, it is recommended that \$20 million be used to address the additional ADA funding need in 2021. Satisfying the additional ADA funding need from a source other than sales tax will preserve as much RTA operating funding as possible for the three Service Boards as we move through 2021. Next, it is recommended that the remainder of the available CRRSAA funding be allocated amongst the three Service Boards consistent with the funding needed to fill the region's budget deficit in 2021 as well as guided by the RTA's CNA analysis.

(in millions)	Totals	Additional ADA need off the top	CTA 77.5% of remainder	Metra 17.9% of remainder	Pace 4.6% of remainder
CRRSAA (low)	\$469	\$20	\$348	\$80	\$21
CRRSAA (high)	\$486	\$20	\$361	\$83	\$22
Other Funding Change ¹	\$106	---	\$60	\$33	\$13
Net Funding Change	\$575-\$592	\$20	\$408-\$421	\$113-\$116	\$34-\$35
Budgeted Shortfalls	\$442-\$527	---	\$372	\$70-\$155²	---

¹ Increased 2021 sales tax, PTF, and RETT due to 2020 sales tax over-performance

² Range for Metra related to service levels (reduced schedule to full schedule)

Next Steps

This information will be presented to the Board for discussion at the February 18 meeting. Following the meeting, the recommendations and accompanying analysis will be released for a public comment period through Friday, March 5, 2021.

At its meeting on Thursday, March 18, 2021, the RTA Board will consider recommended allocation and initiate a budget amendment for the 2021 operating budget.

Starting in the second quarter, staff will continue to execute on Step 2 while initiating Step 3 of the recovery planning effort. Additional detail on these next steps will be presented at that time.

Prepared by: Finance, Innovation, and Technology and Capital Programming and Planning

LPR/BRH/WDL/DKA/JL
Attachment.